

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-08 NSC-05 SS-15

STR-04 OMB-01 CEA-01 CIAE-00 COME-00 FRB-03 INR-07

NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 FEAE-00 INT-05

PRS-01 /086 W

-----082002Z 075292 /43

R 081817Z MAR 77

FM AMEMBASSY LONDON

TO TREASURY DEPT WASHDC

SECSTATE WASHDC 1383

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DEPARTMENT PASS FEDERAL RESERVE BOARD

E.O. 11652: N/A

TAGS: EFIN, UK

SUBJECT: BRITISH NATIONAL OIL CORPORATION BORROWING IN  
U.S. MARKET

1. EXTREMELY RELIABLE SOURCE IN HMTREASURY TELLS FINANCIAL ATTACHE THAT BRITISH NATIONAL OIL CORPORATION (BNOC) IS IN THE PROCESS OF PUTTING TOGETHER A ROUGHLY \$750 - \$850 MILLION BORROWING IN THE U.S. SENIOR BNOC OFFICIAL HAS VISITED NEW YORK, FOUND U.S. BANKS EXTREMELY RECEPTIVE AND ANXIOUS TO LEND, FINAL TERMS ARE BEING WORKED OUT. THEY COULD RESULT IN A SAVINGS OF ROUGHLY 5 PERCENTAGE POINTS ON INTEREST COSTS TO BNOC. SOURCE, WHO STRESSED HE WAS NOT UP-TO-DATE ON ABSOLUTELY LATEST CONVERSATIONS BETWEEN BNOC FINANCE DIRECTOR AND U.S. BANKS THOUGHT THE LOAN COULD HAVE A 7 TO 8 YEAR MATURITY, POSSIBLY WITH A FOUR YEAR GRACE PERIOD BEFORE REPAYMENTS OF PRINCIPAL BEGAN.

2. MAJOR INNOVATION IN THIS LOAN WOULD BE THAT IN CON-

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TRAST TO OTHER PUBLIC SECTOR BORROWING IN FOREIGN MARKETS, THE LOAN WOULD A) NOT BE GUARANTEED BY HMG BUT RATHER BE PLEDGED AGAINST NORTH SEA OIL PROCEEDS AND B) ALLOW INTEREST DIFFERENTIAL BETWEEN US RATE AND UK STERLING RATE TO BE KEPT BY BNOC. OTHER PUBLIC SECTOR BORROWING BY UK NATIONALIZED CORPORATIONS AND AUTHORITIES HAS BEEN AT A EURO CURRENCY RATE BUT FOREIGN CURRENCY RECEIPTS OF THE

LOAN HAVE BEEN PAID TO THE BANK OF ENGLAND WHICH HAS  
ADVANCED STERLING TO PUBLIC SECTOR BORROWERS AT A ROUGHLY  
50 BASIS POINT REDUCTION AGAINST GOING RATE FOR STERLING  
BORROWING IN UK MARKET. THIS WILL NOT BE THE CASE ON BNOC  
BORROWING. BNOC WILL PROFIT FROM THE ENTIRE INTEREST  
RATE DIFFERENTIAL BETWEEN DOLLARS AND STERLING, DRAW PRO-  
CEEDS OF THE LOAN TO PAY FOR DOLLAR DENOMINATED EQUIP-  
MENT (AT LEAST THIS IS THE SOURCE'S UNDERSTANDING) AND  
REPAY THE LOAN IN ITS OWN NAME FROM FOREIGN CURRENCY  
EARNINGS OF NORTH SEA OIL.

3. SOURCE REPEATEDLY STRESSED THAT BORROWING, "WHILE ON,  
REMAINS IN A STATE OF FLUX" WITH FINAL TERMS AND CONDI-  
TIONS NOT YET WORKED OUT. SOURCE SAID TO HIS KNOWLEDGE  
MANY DETAILS REMAIN CONFIDENTIAL, INCLUDING CHOICE OF  
LEAD U.S. BANKS IN THE OPERATION.

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Disposition Date:** 22 May 2009  
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**Disposition History:** n/a  
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**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
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**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**TAGS:** EFIN, UK, US, BRITISH NATIONAL OIL CORPORATION  
**To:** TRSY STATE  
**Type:** TE  
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**Review Markings:**  
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